No. 11761.

IN THE

United States Circuit Court of Appeals

FOR THE NINTH CIRCUIT

HERMAN H. HELBUSH and MONOGRAM MANUFACTURING CO., a corporation,

Appellants,

vs.

DONALD H. FINKLE, doing business as WEDGELOCK COMPANY,

Appellee.

BRIEF AS AMICUS CURIAE.

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I.

It Is an Abuse of the Trial Court's Discretion to Award Attorneys' Fees to a Prevailing Defendant Sued for Infringement of Letters Patent Unless There Is Some Evidence of Special Circumstances Justifying Such Award.

In a patent infringement action attorneys' fees may be awarded by the Trial Court in its discretion pursuant to 35 U. S. C. A. 70, as amended in 1946, which provides in part:

> ". . . The court may in its discretion award reasonable attorney's fees to the prevailing party upon the entry of judgment on any patent case."

The statute does not imply that attorneys' fees should in every instance be awarded the prevailing party but requires the Trial Court to apply its best judgment to a determination of the proper circumstances under which an award should be made; and in doing so the Trial Court must act in conformity with established precedent and the intent and purpose of the statute conferring such discretion. Action by the Trial Court, according to its own will or pleasure without reference to determining principles, constitutes an abuse of discretion which the Appellate Court may set aside.

> *Bowles v. Quon,* 154 F. (2d) 72, 73 (C. C. A. 9, 1946).

(a) It Was Not the Purpose of the Amended Statute, 35 U. S. C. A. 70, to Award Attorneys' Fees to the Prevailing Defendant in a Patent Infringement Suit Except Under Special Circumstances Resulting in a Gross Injustice.

The expressed purpose of Congress in passing the amendment to 35 U. S. C. A. 70, under which the Trial Court made the award, herein, is stated in Senate Report No. 1503, June 14, 1946, which was adopted by the Senate Committee on Patents from a report of the House Committee on Patents. The relevant portion reads as follows:

> "By the second amendment the provision relating to attorney's fees is made discretionary with the court. It is not contemplated that the recovery of attorney's fees will become an ordinary thing in patent suits, but the discretion given the court in this respect, in addition to the present discretion to award triple damages, will discourage infringement of a patent by anyone thinking that all he would be required to pay if he loses the suit would be a royalty.

The provision is also made general so as to enable the court to prevent a gross injustice to an alleged infringer." (Italics are ours.)

An infringement suit brought merely to vex or harass the defendant without any substantial likelihood of recovery or reasonable grounds for belief in the validity of the patent or infringement thereof might well result in a gross injustice to an alleged infringer forced at great cost to defend such action. It is suits of this type the statute obviously seeks to thwart by providing the hazard of an additional penalty which may be imposed on those who litigate in bad faith; but for the Trial Court to apply this same penalty to the ordinary patent suitor, who, in good faith and with reasonable chances for recovery, brings his action to protect his due right, is to condemn the innocent with the guilty and thereby negate the beneficial purpose of the amendment. An award of attorneys' fees by the Trial Court in such an instance disregards the statutory intent and is an abuse of the Court's discretion.

(b) The Award of Attorneys' Fees to the Prevailing Party in a Patent Infringement Suit in the Absence of Special Circumstances Is Contrary to Well Established Precedence.

Prior to the enactment of the amendment to 35 U. S. C. A. 70 heretofore quoted, it was long established that an allowance of attorneys' fees to the successful party in a patent infringement action was improper. The basis of this rule was explained at some length by the Supreme Court in *Oelrichs v. Williams,* 82 U. S. 211; 21 L. Ed. 43 (1872), as resting on sound public policy:

". . . It is the settled rule that counsel fees cannot be included in the damages to be recovered

for the infringement of a patent. *Teese v. Huntingdon,* 23 How. 2 (64 U. S., XVI, 479); *Whittemore v. Cutter,* 1 Gall. 429; *Stimpson v. The Railroads,* 1 Wall., Jr., 164. . . ." (p. 45.)

". . . In debt, covenant and *assumpsit* damages are recovered, but counsel fees are never included. So in equity cases, where there is no injunction bond, only the taxable costs are allowed to the complainants. The same rule is applied to the defendant, however unjust the litigation on the other side, and however large the *expensa litis* to which he may have been subjected. The parties in this respect are upon a footing of equality. There is no fixed standard by which the *honorarium* can be measured. Some counsel demand much more than others. Some clients are willing to pay more than others. More counsel may be employed than are necessary. When both client and counsel know that the fees are to be paid by the other party there is danger of abuse. A reference to a master, or an issue to a jury, might be necessary to ascertain the proper amount, and this grafted litigation might possibly be more animated and protracted than that in the original cause. It would be an office of some delicacy on the part of the court to scale down the charges, as might sometimes be necessary.

"We think the principle of disallowance rests on a solid foudation, and that the opposite rule is forbidden by the analogies of the law and sound public policy." (p. 45.) (Italics in last paragraph are ours.)

The present amendment to 35 U. S. C. A. 70, being in derogation of a long established rule of law forbidding

counsel fees, should be strictly construed as making only such change as is clearly indicated by the legislative expression and intent.

> *Shaw v. Merchants National Bank,* 101 U. S. 575, 25 L. Ed. 892 (1880).

Further precedent for the interpretation of the new amendment is the judicial construction placed upon a substantially similar statute relating to attorneys' fees in copyright cases. That statute (17 U. S. C. A. 40), after providing for the allowance of full costs, states:

> ". . . In all actions, suits, or proceedings under this title, except when brought by or against the United States or any officer thereof, full costs shall be allowed, and the court may award to the prevailing party a reasonable attorney's fee as part of the costs. (Mar. 4, 1909, c. 320, §40, 35 Stat. (1084.)"

While the language of the two statutes is not identical, they are similar in effect and legal import. The Courts have consistently interpreted the provisions of the copyright statute as discretionary only and have generally refused to award attorneys' fees to the prevailing party except under special circumstances where dictated by equity and good conscience. This Court, for example, in construing the copyright section in *Buck v. Bilkie,* 63 F. (2d) 447 (C. C. A. 9, 1933), said:

> "Under section 40 of the act (17 U. S. C. A., §40), 'the Court may award to the prevailing party a reasonable attorney's fee.' Any such award is clearly discretionary: We find no abuse of discretion in the denial of attorneys' fees, inasmuch as infringement ceased immediately on what defendant testified to have been the first notice received." (p. 447.)

Although the amendment to 35 U. S. C. A. 70 is too recent to have received extensive judicial interpretation, in a number of well reasoned District Court opinions counsel fees have been denied in the exercise of the Court's discretion under this section.

In *Juniper Mills, Incorporated v. J. W. Landenberger & Co.,* 76 U. S. P. Q. 300 (Advance Sheet) (D. C., E. D. Pa. 1948), Judge Kirkpatrick, on plaintiff's motion for an award of attorneys' fees, stated:

> "It has never been supported that counsel fees are normally allowable to a successful party as part of the costs. In most, if not all, cases, where statutory authority has been given to the court to allow them, the intention has been to make the allowance something in the nature of a penalty for some sort of unfair, oppressive or fraudulent conduct on the part of the losing party. I think this was the reason why the 1946 amendment made the award discretionary with the court and I believe the court should not award an attorney's fee as costs in an ordinary normal patent case." (p. 300.)

Similarly, in the case of *Lincoln Electric Co. v. Linde Air Products Co.,* 74 Fed. Supp. 293 (D. C., N. D. Ohio, 1947) (75 U. S. P. Q. 267), the Court held that in an ordinary patent action an award to the prevailing defendant was not authorized by the statute:

> ". . . It is apparent from the wording of the statute and its history that an award of attorneys' fees should not be made in an ordinary case. The court is invested with discretionary power where it is necessary to prevent gross injustice. The case at bar presents a situation which is not unusual in patent matters. This court finds no special circumstances

> of gross injustice. . . . This court does not consider that the action by the plaintiff was absolutely unwarranted or unreasonable. Since the award asked by the defendant is contrary to long established practice, a clear showing of the conditions indicated in the statute must be made to entitle the applicant to the relief sought. The circumstances and conditions surrounding the parties in this litigation do not warrant an award of attorneys' fees to the prevailing party. . . ." (p. 294.)

The *Lincoln Electric* case is quoted with approval by Judge Starr in *National Brass Company v. Michigan Hardware Company,* 76 U. S. P. Q. 186 (Advance Sheet) (D. C., W. D. Mich., 1948). After reviewing extensively the judicial interpretation of the provision permitting attorneys' fees in copyright cases and reasoning from such construction to interpret the new patent provision, the Court concluded:

> "A careful review of the pleadings, testimony, and circumstances in the present case clearly indicates that it was the usual and ordinary suit for infringement of patent and that it was instituted in good faith and vigorously prosecuted. The court finds no evidence indicating bad faith or dilatory, harassing or vexatious tactics on the part of the plaintiff. There appear to be no special circumstances and no equitable considerations which would justify an award of attorneys' fees to the defendant. . . ." (p. 187.)

It is apparent that a Trial Court in awarding attorneys' fees in the absence of special circumstances, fails to construe the new amendment in accordance with its express purpose and intent and fails to look to the history of

the amendment, the judicial interpretation of analogous statutes, and the decisions of other Courts in determining principles and proper guidance.

It is submitted that it will be of great assistance to the District Courts of this Circuit, the patent bar, and patent litigants if this Court will clearly state the rule to be that in awarding reasonable attorneys' fees to the prevailing party in accordance with the provision of 35 U. S. C. A. 70, as amended in 1946, the Court should award such fees only in a case involving bad faith or dilatory, harassing, or vexatious tactics on the part of the losing party or similar special circumstances establishing inequitable conduct by such party.

Dated: At Los Angeles, California, this 19th day of May, 1948.

Respectfully submitted,

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